



Highlights of [GAO-12-319](#), a report to congressional committees

Why GAO Did This Study

The Department of Defense (DOD) relies on contractors for varied functions, and obligated about \$200 billion in fiscal year 2010 for contracted services. In-sourcing—moving contracted work to performance by DOD employees—has been one tool through which DOD managed its workforce. The National Defense Authorization Act for Fiscal Year 2011 required DOD to report on its fiscal year 2010 in-sourcing decisions and required GAO to assess DOD's report. The act required DOD to report, for each decision, the agency or service involved, the basis and rationale for the decision, and the number of contractor employees in-sourced. GAO assessed the report against these requirements and examined how DOD prepared the report and assured itself of the data's reliability, and the extent the in-sourcing actions were aligned with DOD's strategic workforce plans. GAO reviewed the in-sourcing report, examined in-sourcing guidance, reviewed DOD's recent strategic workforce plans, and interviewed appropriate department officials.

What GAO Recommends

GAO recommends that, for future in-sourcing actions, DOD (1) issue guidance to components on verifying in-sourcing data, and (2) better align in-sourcing data with strategic workforce plans and establish metrics to measure progress against in-sourcing goals. DOD partially concurred with the recommendations, but noted that the challenges identified in GAO's report are not unique to in-sourcing. GAO agrees, but believes actions are necessary to improve oversight of DOD's in-sourcing.

View [GAO-12-319](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov or Belva M. Martin at (202) 512-4841 or martinb@gao.gov.

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DEFENSE WORKFORCE

DOD Needs to Better Oversee In-sourcing Data and Align In-sourcing Efforts with Strategic Workforce Plans

What GAO Found

DOD reported on two of three issues required by law: the component involved with each of its fiscal year 2010 in-sourcing actions and the rationale for each action. However, DOD did not report the number of contractor employees whose functions were in-sourced, because, DOD officials said, the department does not have these data. Specifically, the department noted, in its report to Congress, that it contracts for services and does not hire individual contractor employees. Instead, DOD reported the number of new civilian authorizations created due to in-sourcing. Congress has separately required DOD to report the number of contractor employees performing services for DOD, expressed as full-time equivalents, as part of its inventory of activities performed under contracts for services. In its in-sourcing report, DOD said that efforts to comply with this additional requirement may in the future help inform the number of contractor full-time equivalents in-sourced.

The Office of the Under Secretary of Defense for Personnel and Readiness (OUSD (P&R)) requested information from DOD components on fiscal year 2010 in-sourcing actions to produce its report, and the military departments and OUSD (P&R) took varying, and in some instances limited, approaches to ensuring the data's reliability. Additionally, some of the commands GAO contacted made errors in reporting in-sourcing data. For example, 348 of 354 new in-sourcing authorizations by the Navy's Fleet Forces Command were categorized as inherently governmental when they should have been categorized as exempt from private sector performance for continuity of infrastructure operations. Federal internal control standards state that data verification helps provide management with reasonable assurance of achieving agency objectives, including compliance with laws. Without accurate data, decision-makers in DOD and Congress may not have reliable information to help manage and oversee DOD in-sourcing.

While the mandate did not require the in-sourcing report to align with DOD's strategic workforce plans, it was unclear to what extent the in-sourcing actions aligned with DOD's plan due to differences in the types of data used in the in-sourcing report and the most recent workforce plan, and the absence of metrics to measure the in-sourcing goal established in the plan. DOD took some steps toward aligning these efforts, such as establishing a goal for in-sourcing in its most recent strategic workforce plan, which was issued in March 2010. Additionally, OUSD (P&R) officials said that the in-sourcing actions furthered DOD's strategic workforce objectives, but acknowledged they had not established metrics to measure against the in-sourcing goal—which was to, among other things, optimize the department's workforce mix to maintain readiness and operational capability and ensure inherently governmental positions were performed by government employees. Additionally, the strategic workforce plans coded jobs by occupational series, such as budget analyst, while the in-sourcing report used function codes indicating broad areas of work, such as logistics. DOD officials told GAO there is no crosswalk between the two. GAO has previously reported that strategic workforce planning includes aligning human capital programs with programmatic goals. Without metrics and due to the differences in the data used, DOD and Congress may have limited insight on the extent to which in-sourcing actions met strategic workforce goals.